



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 15, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Signature Bank, National Association  
Charter Number 24264**

**4607 West Sylvania Avenue  
Toledo, OH 43623**

**Comptroller of the Currency  
Detroit Field Office  
26877 Northwestern Highway, Omni Officentre, Suite 411  
Southfield, MI 48034**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The major factors that support this rating include the following:

- Signature Bank's loan-to-deposit ratio is more than reasonable and demonstrates a willingness to provide financial services to the communities it serves;
- The majority of loans originated by Signature Bank are in the assessment area;
- The geographic distribution of loans within Signature Bank's assessment area is adequate. No conspicuous gaps of lending were identified during the evaluation; and
- The bank is active in some community development activities.

## **DESCRIPTION OF INSTITUTION**

Signature Bank, N.A. (Signature) is an intrastate banking institution headquartered in Toledo, Ohio. Chartered in April 2002, Signature is a wholly owned subsidiary of Signature Bancorp, Inc., a one-bank holding company. As of June 30, 2003, management reported bank assets totaling \$147 million. The bank has one office, and it does not own or operate any automated teller machines (ATMs) or drive-through facilities. As a convenience for its customers, Signature does provide debit cards and online banking services with no fees.

Although Signature offers banking services to everyone, it has been structured as a financial institution primarily focusing its attention on providing high-level service to businesses, professionals and executives in Lucas County. With its commercial customer focus, consumer and residential mortgage lending activity has been generally limited to making accommodation loans to existing business customers and to individuals who live in the close proximity to the bank's office. This is supported by the summary of the bank's loan portfolio in Table 1. Additionally, mortgage lending is limited to three-year and five-year adjustable rate mortgages and consumer loan products, such as auto loans and unsecured loans, which have a \$10,000 minimum loan requirement. Also, the bank's advertising has been generally limited to business related products. The number of Home Mortgage Disclosure Act (HMDA) reportable loans that have been originated by the bank since inception in April 2002 totaled 138 loans, with 36.2 percent of the loans being from outside the bank's assessment area (AA).

As of June 30, 2003, Signature's loan portfolio represented 70.34 percent of assets and the bank's Tier 1 capital totaled \$17.2 million. There are no legal, financial or other factors that would impede Signature's ability to help meet the credit needs of the community it serves. This is the bank's first Community Reinvestment Act (CRA) evaluation since opening in April 2002.

Table 1		
Signature Bank, N.A. (Loan Portfolio as of 6/30/03)		
Description	Dollar Volume	Dollar Volume/Total Loans Outstanding
Commercial and Commercial Real Estate Loans	\$67,415,000	65.42%
1-4 Family Real Estate Loans	\$27,099,000	26.30%
Other Loans	\$3,643,000	3.54%
Multi-family Real Estate Loans	\$2,561,000	2.49%
Other Personal Loans	\$1,808,000	1.75%
Farmland	\$355,000	.34%
Construction, Land Development, and Other	\$169,000	.16%
Total Loans Outstanding 3/31/02	\$103,050,000	100.00%

*Data Source: Signature Bank, N.A. Call Report June 30, 2003.*

## DESCRIPTION OF ASSESSMENT AREA

Signature's AA consists of Lucas County, which is one of three counties that make up the Toledo Metropolitan Statistical Area (MSA 8400). Lucas County is geographically located on the western edge of Lake Erie and borders the lower peninsula of the State of Michigan. The AA is comprised of 130 census tracts, which includes 18 low-income tracts and 33 moderate-income tracts. The AA meets requirements of the regulation and does not reflect illegal discrimination or arbitrarily exclude low- or moderate-income areas. Table 2 provides additional demographic information regarding the AA.

Lucas County contains both urban and rural areas. The AA contains a diverse industry base predominantly made up of medical care, education, and automotive manufacturing. Major employers include ProMedica Health Systems, Mercy Health Partners, Bowling Green State University, Toledo Public Schools, Daimler-Chrysler, University of Toledo, and General Motors, respectively. The local economy has weakened, which is evidenced by an increasing unemployment rate within the AA. According to the State of Ohio's Bureau of Labor Market Information data, the seasonally unadjusted unemployment rate in Lucas County was 8.4 percent in June 2003. This is higher than the 6.6 percent unemployment rate for Ohio as a whole.

Table 2						
Demographic Information: Lucas County, MSA 8400						
Demographic Characteristics	#	Low (% Of #)	Moderate (% Of #)	Middle (% Of #)	Upper (% Of #)	NA* (% Of #)

Geographies (Census Tracts)	130	13.85	25.38	41.54	16.92	2.31
Population by Income Level of Geography	462,361	8.73	23.75	46.61	20.90	0.00
Family Distribution by Income Level of Geography	120,552	7.64	21.98	47.80	22.59	0.00
Owner-Occupied Housing Units by Income Level of Geography	115,377	4.83	19.25	51.57	24.34	0.00
Businesses by Income Level of Geography	21,974	12.02	14.87	46.02	27.09	0.00
Distribution of Families by Income Level Throughout AA	120,552	22.63	17.07	22.40	37.89	0.00
Businesses by Revenue Level	Revenues <= 1 Million 77.54	Revenues > 1 Million 8.30		Revenues not Reported 14.16		
Median Family Income HUD Adjusted Median (ADM) Family Income 2002	= \$35,775 = \$56,700			Median Housing Value	= \$60,050	
• Low Income (below 50% of ADM)	= \$0 - \$28,349			Unemployment Rate	= 8.4%	
• Moderate Income (50 to 79.99% of ADM)	= \$28,350 - \$45,359					
• Middle Income (80% to 119.99% of ADM)	= \$45,360 - \$68,034					
• Upper Income (120% and above ADM)	= \$68,035 - Above					
Households Below the Poverty Level	= 26,446					

(\*) The NA category consists of geographies that have not been assigned an income classification.

**Data Sources:** 1990 U.S. Census; US Department of Labor. Dun and Bradstreet 2002.

Signature's competition is high as several financial institutions and other entities provide financial services in the AA. These competitors are either located within the AA or provide lending services by Internet, mail, or other means. Thirteen insured deposit institutions operating a total of 129 offices primarily serve the AA, according to FDIC deposit data as of June 30, 2002. Six large commercial banks, Fifth Third, Key Bank, Sky Bank, Charter One, National City Bank, and Huntington Bank have more than 95 percent of the deposit market, with the smaller banks and several independent credit unions having a presence. Signature has less than two percent of the deposit market. It was determined that none of the competing financial institutions operating in the area are considered to be similar in nature to Signature's single-location, size, and business-focus.

One community contact was made during this evaluation. The community contact is a non-profit lender, which provides assistance to low- and moderate-income families. This organization works with local financial institutions and community leaders to provide services such as housing rehabilitation financing, homebuyer's education/training programs, mortgage and improvement loans, weatherization and energy-efficiency improvement programs, and home improvement "how-to" classes. According to the community contact, due to the current rate environment and strong competition, local financial institutions have provided an abundance of financing opportunities for low-income and moderate-income families and individuals. Whereas, educating low-income and moderate-income individuals and families regarding personal finance and home buying was the strongest need identified by the community contact.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

## Lending Activity

Due to Signature's commercial customer focus, emphasis was placed on the bank's business lending activities to evaluate its lending performance. However, all loans generated or purchased by Signature since its inception in April 2002 were given consideration for determining the reasonableness of the bank's quarterly average loan-to-deposit ratio and level of lending in or out of its AA.

## Loan-to-Deposit Ratio

Signature's loan-to-deposit ratio is more than reasonable and demonstrates a willingness to provide financial services to the communities it serves. There were no banks of similar size and commercial customer focus within Signature's AA. Therefore, the average loan-to-deposit ratios of banks of similar size (\$100 million to \$250 million) located throughout the State of Ohio were used as a threshold to determine the adequacy of Signature's loan-to-deposit ratio. Signature's average net quarterly loan-to-deposit ratio for the time period of June 30, 2002 through June 30, 2003 was 90.26 percent. For the same period, the average loan-to-deposit ratios of banks of similar size throughout the State of Ohio ranged from 28.49 percent to 104.22 percent. Signature's average loan-to-deposit ratio ranked second out of the 12 banks within the tested group.

## Lending in Assessment Area

Signature's record of lending in the AA is reasonable. The majority of loans originated by Signature are in the AA. Table 3 below indicates that 72.6 percent of the dollars originated were within the bank's AA. Whereas, 605, or 78.9 percent, of the number of loans originated by Signature were within its the AA.

Loan Product	Number of Loans in Sample #	Loans in Assessment Area		Loans outside of Assessment Area	
		%	\$	%	\$
Consumer/Real Estate	307	69.5	25,867	30.5	11,368
Commercial	460	73.3	105,389	26.7	38,295
Total Sample	767	72.6	131,256	27.4	49,663

*Data Source: Internal Bank Reports dated 6/30/03.*

## Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Signature's overall record of lending to borrowers of different incomes and businesses of different sizes is below the standard for satisfactory. Table 4 illustrates Signature's percentage of lending to small businesses of 39.7 percent is less than the percentages of small businesses in AA of 77.5 percent. Therefore, there is an opportunity to have improved lending penetration to

small businesses. The primary factor affecting Signature’s lending is the strong competition from large established financial institutions within the area.

Revenue Size of Businesses	Percentage of Signature’s Distribution of Loans to Businesses	Percentage of Businesses in Each Revenue Category
Under \$1 million	39.70%	77.54%
\$1 million and above	60.30%	8.30%
Not Reported	0%	14.16%
Totals	100.00%	100.00%

*Data Source: Bank generated reports; Random sample of 50 commercial loans; 1990 US Census Data.*

Signature’s lending to borrowers of different incomes levels reflects poor penetration among individuals of different income levels. During April 2002 through June 2003, the bank originated 88 HMDA reportable loans within its AA. Out of the 88 HMDA reportable loans originated, 5.68 percent were to low-income individuals and 6.82 percent were to moderate-income individuals, which is less than the 22.63 percent of low-income families and 17.07 percent of moderate-income families throughout AA. Albeit, the bank’s low volume of HMDA reportable loans is consistent with the Signature’s business focus of primarily lending to commercial customers. Other factors affecting the bank’s HMDA reportable lending are competition, single business location, and relatively unknown presence within the AA.

### Geographic Distribution of Loans

The geographic distribution of business loans within Signature’s AA is adequate and no conspicuous gaps of lending were identified during the evaluation. As demonstrated in Table 5, the dispersion of loans reasonably reflects the demographic composition of the bank’s AA. The primary factors affecting the bank’s lending within low- to moderate-income categories are competition and its single business location. Additionally, the ratios within Table 5 are not fully reflective of the bank’s willingness to lend in low and moderate-income areas. During the start-up period of the bank, management concentrated commercial lending activities on customers that are initial investors in Signature Bancorp, Inc., and business customers that were known to the staff of the bank. As demonstrated within table 5, most of these initial commercial customer’s businesses were located in middle- to upper-income tracts within the AA. Thus, lending in middle- and upper-income tracts was higher than the lending within the low- and moderate-income tracts of the AA.

Income Category (IC)	Low		Moderate		Middle		Upper		Total Loans	
	#	%	#	%	#	%	#	%	#	%
Signature’s Commercial Loans made in each Income Category	11	3.63%	28	9.24%	128	42.24%	136	44.89%	303	100%

Percentage of Businesses in Geographies by Income Level	12.02%	14.87%	46.02%	27.09%	100%
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*Data Source: 1990 US Census; Random sample of 50 commercial loans and bank generated reports.*

Signature’s distribution of HMDA reportable loans reflects marginal penetration in low-income census tracts but especially low penetration in moderate-income census tracts. For the time period of April 2002 through June 2003, the bank originated 2.27 percent and 3.41 percent of its HMDA reportable loans in low- and moderate-income census tracts, respectively. This is compared to 4.83 percent and 19.25 percent of low-income and moderate-income census tracts, respectively, in the assessment area. Nevertheless, the bank’s dispersion of HMDA reportable loans is consistent with the Signature’s business focus of primarily lending to commercial customers. Other factors affecting the bank’s dispersion of HMDA reportable loans are its single business location and relatively unknown presence within the AA.

**Community Development Activities**

Bank employees have participated in activities with organizations that benefit low- and moderate-income individuals or families. Additionally, Signature has provided bank services and donations to organizations that offer assistance to low and moderate-income individuals or families. Listed below are the organizations that bank employees are participating with, and charitable donations and bank services Signature is providing:

- The bank has donated funds and provides free checking services to a charity organization that provides needy children of the Toledo area with coats, shoes, and emergency clothing.
- An Executive Vice President volunteers time to participate in an organization that provides assistance and training to small businesses and entrepreneurs within the Toledo area.

**Responses to Complaints**

Signature has not received any complaints that affect the bank’s CRA rating.

**Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.